How to Keep Your Sales Awards and Recognition Programs Relevant

Is your sales awards and recognition program up to snuff?

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The erratic economy and continued uncertain sales prospects in many industries have prompted sales and HR managers to closely scrutinize all aspects of sales compensation, especially sales awards and recognition programs. While some companies have stepped up the use of awards and recognition programs to spur sales growth in a tough economy (see Awards and Recognition by the Numbers), many are wondering whether these programs truly add value or just divert the salesforce's attention from the company's primary objectives.

As the economy continues to improve, companies may run the risk of having awards and recognition programs that significantly increase the cost of sales and over-compensate sales reps with rich rewards outside of the sales compensation plan. This is a good time to step back and review the effectiveness of awards and recognition programs.

Why Have Awards and Recognition Programs?

Awards and recognition programs typically are used outside the boundaries of the annual sales incentive plan and salary structure. They focus sales efforts for a brief, concentrated period (e.g., three or four months). An awards and recognition program is similar to a sales contest, except it is possible for everyone to win. The reward is

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tied to specific performance requirements or goal attainment and the payout is usually cash (with prepaid cash cards increasingly popular), a gift certificate or points that can be accumulated for awards.

Awards and Recognition by the Numbers

▎**3 percent to 7 percent**
Target awards and recognition program budget as a percentage of average overall target incentive budget.

▎**4 percent to 6 percent**
Average actual awards and recognition paid out in nonrecession years (as a percentage of actual incentive budget).

▎**9 percent to 12 percent**
Average actual awards and recognition paid out in recession years (as a percentage of actual incentive budget). The large increase is due to poor attainment against quota, resulting in much lower incentive payouts.

Source: 2011 Sibson Sales Effectiveness Survey

Sales managers who are responsible for a multiproduct/service salesforce know the challenge of keeping the sales reps oriented toward achieving sales, revenue and profit goals across all lines of business. Likewise, product managers understand the difficulties of getting a salesforce to focus the time and attention required to sell their specific product or service effectively. When multiple quotas, products and services compete for sales reps' attention, it can be tough to sustain the appropriate amount of emphasis on each line. Awards and recognition programs offer a way to manage these conflicts.

A well-designed awards and recognition program can be a valuable management tool and act as a microcosm of the overall sales incentive program, focusing attention on specific, near-term results. Awards and recognition programs can motivate the salesforce to attain maximum performance targets, enabling managers to reach or exceed objectives and help the company meet its corporate goal. The awards can provide a short-term, extra incentive when an organization needs an added push. They are commonly used to stimulate overall sales volume

and/or specific product/service sales, increase market penetration, introduce new products/services or acquire new accounts. Eligibility for an awards and recognition program generally extends to employees with some sales accountability — those who work with customers, carry a goal/quota or support the salesforce during the sales process.

Designing an awards and recognition program requires a clear strategy and an understanding of the interplay among four key elements: program length; performance metrics; type of awards; and financial risk and exposure.

Program Length
There is no canned formula to follow in determining how long salespeople need an extra push, but there are several factors to consider.

▎**Set specific awards and recognition program goals**. Base the program's length on the time it should take the company to achieve the sales and profit goals and allow sales reps sufficient time to earn the advertised award.

▎**Follow logical calendar periods.** The awards and recognition program's start and end dates should coincide with the start and end dates for months, fiscal quarters or other logical divisions of the year (e.g., terminate the program on the last day of the month, not in the second or third week). Off-cycle timing can confuse participants and make it difficult for them to track their sales progress.

▎**Support the seasonality of the promoted products/services.** Awards and recognition programs for the sale of seasonal products/services should run during the season in which the products/services are in demand and take into consideration competing products/services in the market.

▎**Allow complete territory coverage.** Timing should be sufficient to allow participants the opportunity to achieve maximum results (e.g., if the

awards and recognition program's objective is to open new accounts, a salesperson should be given enough time to cover his/her entire territory at least once during the program).

▌ Do not dilute salesforce excitement. Determining the amount of time that salespeople can sell at a sustained pace without losing enthusiasm is extremely important. Awards and recognition programs that run too long lose momentum and decrease sales reps' interest in winning.

Performance Metrics

Awards and recognition programs should be linked to clear sales goals, and different types of performance goals or metrics can be used. It is best to select metrics that allow management to establish standards of expectations (e.g., goals and quotas), fully evaluate sales results and objectively communicate accomplishments. Figure 1 lists selected performance metrics along with various factors to take into account when selecting metrics.

Type of Awards

Generally, cash is the preferred award. Cash awards usually allow for more winners than noncash awards and tend to be more motivational. However, awards and recognition programs may be coupled with sales contests, which offer merchandise or travel.

The reps' salary/incentive mix and the type of sales incentive program the company uses will affect the structure of the awards and recognition program and the type of rewards offered. For example, the best rewards for account executives who make substantial base salary and large commissions may be travel. Compare that to a salesforce on straight commission, where cash incentives may be the best rewards. Surveying the participants as part of the program design process can help ensure any nonmonetary rewards match their interests. (See The Value of Nonmonetary Rewards on page 46.)

Financial Risk and Exposure

Business unit managers (e.g., product/service managers) and sales managers in the early stages of planning awards and recognition programs should estimate the cost prior to implementing the program. Figure 2 provides a template for estimating the cost of programs under various performance scenarios as well as identifying the cost of sales. Awards and recognition program costs are best estimated by using historic performance results (e.g., benchmark previous sales for new product/service launches) and anticipated future performance.

An awards and recognition program should be an added incentive over typical plan earnings. It is important not to circumvent the core sales plan by making the awards and recognition program so lucrative that reps lose their focus on the company's core objectives. The goal is to

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Figure 1 │ **Performance Metric Factors to Consider**

Performance metric	Factors
Market share points	▌ Assumes equal opportunity ▌ Assumes competitive products/services on market ▌ Dollar award per point spurs maximum growth
Account conversions	▌ Useful for a product/service with a long buying cycle ▌ Useful for targeting competitors ▌ May be required for a novel product/service that requires a concept sell
Product sales	▌ General lift of volume sales ▌ Assumes product capacity ▌ Good for new product launches ▌ Good for fast-start programs
Profit/cost dollars	▌ Assumes reps can control pricing ▌ Helps emphasize a strategic view over volume ▌ Provides incentives for reps to think about cost

Source: Sibson Consulting

Figure 2 │ **A Template for Estimating the Cost of an Awards and Recognition Program**

Analysis	Process elements
What is each transaction worth?	Determine the average value of a market share point, a targeted account commitment, etc.
What percentage of the salesforce will meet minimum performance standards? What percentage will meet expected standards? What percentage will far exceed expected standards?	Estimating performance outcomes during the awards program should include past performance distribution patterns and a sensitivity analysis, such as: ▌ 20% do not meet expectations ▌ 60% meet expectations ▌ 20% exceed expectations.
What is the expected cost of the awards and recognition program?	Estimate the cost using the scenarios described above. It may make sense to model wider variations. At performance levels above expectations, do the additional sales satisfactorily offset the additional awards and recognition program spending?

Source: Sibson Consulting

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The Value of Nonmonetary Awards

All that glitters to a sales rep's eye is not necessarily a cash payment. For many people, a noncash award can have longer-term value and hold more meaning. Noncash awards may work the emotions better than an extra payout deposited directly into a rep's bank account. Sales professionals will always make the connection between those emotional awards and their work (i.e., this TV my family watches every night is courtesy of my employer), while a cash direct deposit may be quickly spent on miscellaneous items or used to pay bills.

As shown in Figure 3, nonmonetary rewards range from the relatively inexpensive but goodwill-building corner office or prime parking spot to changes that can affect a rep's career (e.g., a better territory or removal of certain "dog" accounts).

Not all awards are created equal — what works for some people will not for others. It is important to ensure the award is consistent with the values the recipients place on different options.

Good managers will know what awards work best for specific people at certain times of year. While time off may be a luxury for one rep, it may be an irritant for another. Moreover, because awards that have a monetary value (e.g., country club membership) may have tax implications, it is wise to confer with legal and finance before offering "free" perks.

Figure 3	Types of Nonmonetary Awards
Traditional feel-good recognition	▪ Inscribed plaque ▪ Recognition meals ▪ Team outings ▪ Letters from manager ▪ Article in company newsletter/Website ▪ Sales employee of the month/year
Work-life balance	▪ Paid time off
Experiential	▪ Tickets to sporting events, concerts, golf tournaments, etc.
Career booster	▪ Removal of unproductive accounts ▪ Top assignments ▪ Upgrade to better territory ▪ Company spokesperson ▪ Conference attendance ▪ Dinner with CEO
Status awards	▪ More senior/prestigious title ▪ Corner office ▪ Prime parking spot ▪ First-class airline upgrades ▪ Upgrade of company car ▪ Airline club memberships ▪ Golf/club membership
Monetary value	▪ Periodical subscriptions ▪ Home electronics ▪ Home maintenance (e.g., lawn service, snow removal) ▪ Gift certificates ▪ Company stock
Recognition of significant other	▪ Dinner or trip for family/significant other ▪ Gift to significant other

Source: Sibson Consulting

avoid plan shopping, where reps try to figure out how to make the most money. Programs should be kept separate to ensure that one objective does not overshadow another, but rather all the pieces of the sales compensation program work in concert to support sales objectives.

Conclusion

A well-designed awards and recognition program can help support an incentive plan and add the extra motivation needed to achieve critical sales goals. A poorly designed program may compete with the overall compensation plan and draw reps' attention away from core sales efforts. In considering the relevance of an awards and recognition program to sales, it is important to remember that the sales incentive plan is the No. 1 way to provide incentives the sales reps. The awards and recognition program should be a secondary support tool to enhance recognition when certain behaviors require reinforcement. ⓦ

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